

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



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To: ABAG Executive Board

From: Ezra Rapport, Executive Director
Miriam Chion, Planning and Research Director

Subject: **Regional Economic Development Framework**

Executive Summary

The economic growth of the San Francisco Bay Area is essential to the quality of life of our residents, the vitality of our neighborhoods, and the environmental and cultural amenities that make this region a special place for local residents. Addressing economic development was identified as a priority in Plan Bay Area and at the Joint Policy Committee (JPC). This memo outlines a process for developing a regional economic development framework based primarily on input from the Bay Area's economic development organizations, the HUD-sponsored Regional Prosperity Plan, and input from regional agencies, local jurisdictions and other stakeholders. The first section describes the context for the development of the regional economic development framework. The second section describes the process to identify the regional trends, challenges and strategies. The third section provides a brief summary of current key projects. The fourth section outlines the recommended process.

Section 1: Context

Over the last three years, ABAG has been an active participant in several efforts, including the Bay Area Council Economic Institute's Business Partnerships initiative, the HUD-sponsored Regional Prosperity Consortium and the PDA feasibility assessment. In a presentation to the Executive Board in October 2013, economic development was featured as one of four areas of focus for Plan Bay Area implementation, and as an outgrowth of discussions at the JPC in early 2014, progress has already been made to assemble this work and the work of other Bay Area business organizations into a coherent, comprehensive framework.

Why We Need to Assemble a Regional Economic Development Strategy Framework

The economic development framework is an effort to coordinate the variety of economic development efforts within the region towards greater collaboration and deeper insights. One of the strengths of our region is the diversity of places and communities, which is reflected in our economy as well. We benefit from some of the most innovative technology clusters as well as from some of the most sophisticated restaurants and farms. We house some of the top social media companies as well as top organic wineries. Sustaining this diversity has been a priority

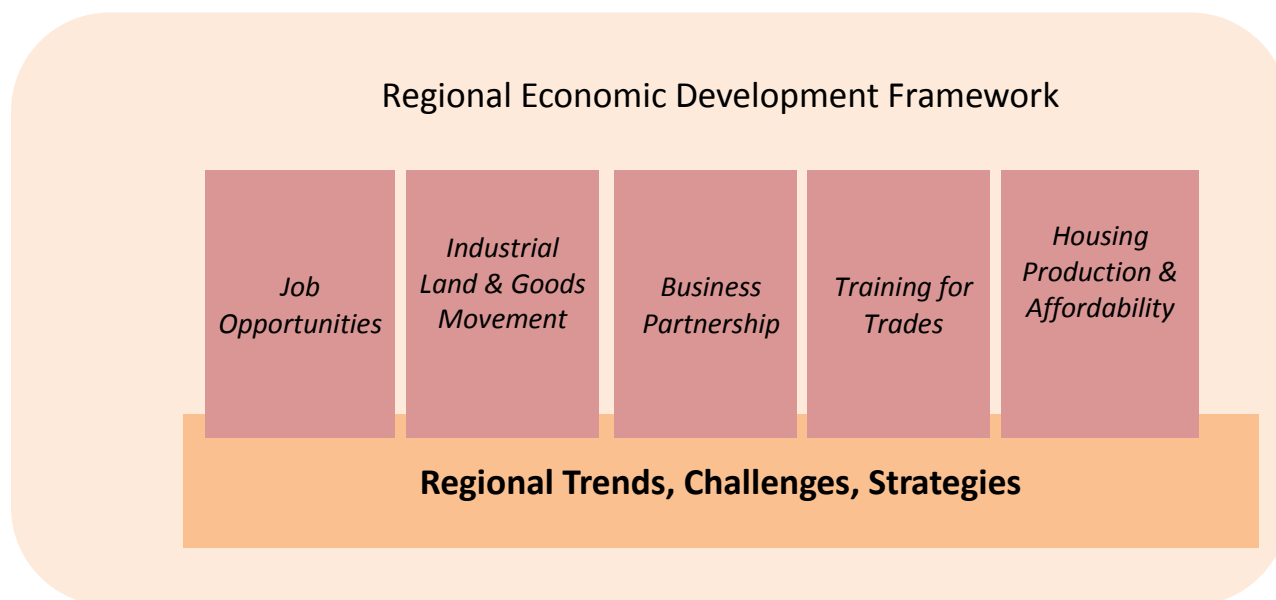
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for this region. One lesson from decades of economic development programs is that the efforts that are most successful build from local resources and talent but recognize the regional and global context. A regional role in local economic development could facilitate communication among jurisdictions within the region, offer resources that are applicable to multiple jurisdictions, and provide context and support for the region's brand as perceived statewide, nationally and globally.

The proposed regional framework identifies key areas to support this healthy economic diversity in light of our demographic changes, environmental challenges, and infrastructure needs. The chart below outlines five of the major regional projects representing a comprehensive review of regional trends, challenges and strategies. This chart will be updated according to the development of new projects and input from the ABAG Executive Board, MTC and the Joint Policy Committee.



This framework will help us build a better business climate in the Bay Area, by understanding the specific complementary roles of each project and how to facilitate collaboration across projects and across agencies. Coordination of these projects and other related activities can enhance the value of the economic analysis, planning, strategies and programs for each of the leading organizations and for the region as a whole. The distinct qualities and perspectives of these projects provide a rich platform from which to support employment growth, regional and local economic vitality, and quality job opportunities for the future work force.

Why ABAG

In terms of the process, ABAG is well positioned to support this coordination as a natural outgrowth of our established economic forecasting and analytic responsibilities regarding the region's economy, population and forecasted income growth. ABAG is closely involved with the Bay Area Council Economic Institute and has worked with the various economic development organizations in the region.

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This process of coordination would support the overall regional efforts and the Joint Policy Committee work at multiple levels:

- **Communication:** ABAG understands how local and regional economic conditions and objectives can play a role in facilitating communication among projects and in establishing communications between stakeholders in different settings (for example, communicating the existence of policies related to business requirements to local PDA planners) and with complementary interests (for example, community organizations and trade organizations). The process or output of one project can inform the work in other projects. Goals of projects may overlap and if coordinated can enable both projects to reach more successful outcomes.
- **Policy Recommendations:** As an organization that works at the state, regional and local levels, ABAG can assist with translating local concerns to the level of government where policy recommendations can lead to implementation activities.
- **Analysis:** ABAG has staff experienced in regional analysis to support local jurisdictions and economic development organizations, and provide oversight of methods, conceptual approaches, and interpretation of results for individual projects.
- **Vision:** As a Council of Governments representing elected officials, ABAG can communicate a regionwide vision of economic development goals that cross different stakeholder groups.

Section 2: Identifying Regional Trends, Challenges and Strategies

This task is a process of collaboration among ABAG, MTC, and other regional and economic development organizations. ABAG is participating in each of the five projects indicated above. Drawing from those projects and bringing additional regional research, ABAG will produce reports to address Regional Trends, Challenges and Strategies. The State of the Region report and the Forecast report describe current and future regional trends, respectively. Another report synthesizes key regional economic development challenges and strategies for discussion at the ABAG Executive Board.

- The **State of the Region Report** will provide an overview of recent economic trends to inform an assessment of future trends as well as regional challenges and opportunities. This current period of strong economic growth implies changes in our regional economy, including the growth of new industries and jobs, the location and patterns of investments, and the labor force requirements. This report will be released in March 2015 and presented at the State of the Region conference.
- Then, given our understanding of the regional economy today, ABAG will prepare the **Regional Forecast** of population, jobs and housing by 2040. This forecast will be a component of Plan Bay Area 2017 and will be developed based on a demographic model (Pitkins and Myers), economic model (REMI), and housing model.
- ABAG will present a set of findings stemming from the HUD-sponsored Regional Prosperity Plan. The findings will address policies related to job opportunities, housing production and affordability, and equity issues within the Bay Area economy.
- ABAG will also present information and recommendations from the BACEI's Bay Area Economic Assessment and other related reports as they come forward.
- From these documents ABAG will synthesize into a regional economic development framework the essential components necessary to achieve the economic growth pattern

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envisioned in Plan Bay Area. These strategies will support and coordinate local efforts on the economic vitality of Priority Development Areas.

Section 3: Overview of Selected Regional Projects

The following sections describe each project in more detail. This note ends with a brief overview of the role ABAG could play in framing the projects within this related area of work.

	Job Opportunities	Industrial Land & Goods Movement	Business Partnership	Training for Trades	Housing Production & Affordability
Engagement	Cities, worker and business organizations, schools	Transportation agencies, cities, businesses	Businesses leaders and key players	Workforce boards, schools	Cities, businesses, housing organizations
Status	Economic Prosperity Strategy Report completed	Under way	Underway	Defining goals	HUD-sponsored Regional Prosperity Report underway
Schedule	2015	2015	2015	TBD	2015
Purpose	Retain and expand access to middle income jobs	Meet increasing demands for goods movement, address environmental and community impacts	Identify key opportunities and actions for healthy business climate and job growth	Strengthen the match between business needs and school programs for essential trades	Increase housing production and affordability

Job Opportunities

One of the central goals of the Bay Area Prosperity Plan is to expand economic opportunities for low- and moderate-income residents in the Bay Area by collaborating with local and regional stakeholders, underserved communities as well as housing organizations. Given the contraction of middle-income jobs in our regional economy, a central task of this Prosperity Plan has been to support the retention of these jobs and increase access to them from a perspective that addresses housing needs, training and infrastructure. Funded by HUD and scheduled for completion in early 2015, the Bay Area Prosperity Plan provides an initial vehicle for developing a regional, coordinated approach to expanding economic opportunities based on 50 pilot projects throughout the region (Attachment 1). While the Prosperity Plan focuses on low- and moderate-income workers, the strategies proposed in this policy paper addresses a broader set of needs over a wide range of industries. More specifically, the Prosperity Plan will identify the types of potential partnerships and collaborations that can support expanded economic opportunities for low- and moderate-income workers, while proposing a set of strategies and actions for workforce training and job placement programs.

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Industrial Land and Goods Movement

The movement of goods and the protection of production and distribution businesses have important environmental, economic and equity implications for the region. The region is home to the fifth-busiest maritime port in the nation, the Port of Oakland, which serves not only Bay Area residents and industries but also provides a critical link to national and international markets. The goods movement effort, led by MTC in collaboration with ACTC's *Alameda Countywide Goods Movement* process and ABAG, involves a regional and subregional analysis of the transportation system, land use requirements, and air quality implications for the distribution of goods within the region.

The MTC & ACTC Goods Movement study is being developed in coordination with a study of industrial land supply and policies. This study, to be led by UC Berkeley in collaboration with ABAG, proposes to: analyze the function of and demand for Industrial / PDR land in the future; determine impacts of land conversion on job quality and accessibility, other industry sectors, and VMT; identify policies that support goods movement, existing industry clusters, and provides incubator space for new businesses. The need, extent and location of industrial land will depend on the type and amount of land projected to be demanded by businesses in the future to ensure the efficient movement of goods, economic growth, job quality, and GHG reduction in the region.

Business Partnerships

Funded by MTC/JPC and in collaboration with ABAG, this work builds on the *BACEI Regional Economic Assessment 2012*. The Bay Area Regional Economic Strategy engagement process seeks to form a public-private partnership. The first stage (completed) involved meeting with local business leaders and economic development organizations to learn from the experiences of the different organizations and identify linkages and commonalities across the region. These subregional consultations are the first step in engaging business partners and stakeholders and recognizing their priorities and shared interests. The next stage of the process involves convening stakeholders from the business community (representing a wide spectrum of industries, firm sizes and leadership roles) and the public sector into a steering committee whose tasks will be to *explore the region's best opportunities for economic success, frame an overall strategy, and define concrete actions*. As the process identifies specific areas for action, the steering committee will create action teams that include participants from additional perspectives and areas of expertise to develop concrete actions.

Training for Trades

This initiative, in the early conceptual discussion stage, would link training programs at a variety of education levels to the demand for skilled trades. The topic area overlaps each of the other initiatives under discussion. For example, training for trades could provide one avenue to move high school students directly into occupations with middle wage career paths or to transition lower wage workers into middle wage jobs or up the career ladder within middle income jobs. On the business side, labor availability in the trades may be a crucial element for some sectors, while training in skills required for transportation and distribution occupations could become one strategy among many for successful goods movement. ABAG will support the coordination of ongoing efforts and identify potential resources at the state and federal levels.

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Housing Production and Affordability

Numerous studies and pilot projects designed to generate or field-test strategies to increase housing production and affordability are nearing completion as part of the HUD-sponsored Regional Prosperity Plan. The final report, to be released in mid-2015, is anticipated to feature new approaches to traditional strategies—finding funding for and gaining community acceptance of new, infill, rental affordable housing complexes—as well as non-production strategies that have received less attention historically. These latter group of strategies include acquisition and rehab of existing affordable housing, relatively affordable open-market housing; preservation of existing affordable housing; mitigation of economic displacement of residents in development areas; revolving use of “soft-money”, for example, as first-time homebuyer loans or work proximity housing loans; and new sources of discretionary local funds dedicated to affordable housing, housing affordability and housing-related infrastructure.

Section 4: Proposed Process and Deliverables

Drawing from partners’ existing work and work in progress indicated above, ABAG would synthesize a set of high-consensus policy recommendations and present them as a Draft Regional Economic Development Strategy Framework. Recommendations will be drawn from multiple existing sources such as: Bay Area Council Economic Institute, the Regional Prosperity Consortium’s final report, and working documents of the Bay Area’s economic development organizations (i.e., East Bay Economic Development Association; Silicon Valley Leadership Group; Bay Area Council; Northern Waterfront Council, and North Bay Leadership Council). ABAG will present the framework to these organizations for their comments and additions.

The final framework document would be a collection of succinct policy recommendations such as those on the final page of the BACEI’s *Reforming CA Higher Education, Executive Summary* (Attachment 2). Another example of such a document, this one taken from the Los Angeles Economic Development Corporation, is attached for reference (Attachment 3).

Because the initial draft will encompass and depend upon numerous works in progress to be completed during 2015 by various organizations and agencies, the draft report would be released in 2016. Once this report is complete it would be circulated in draft form to the Joint Policy Committee, and ultimately back to the ABAG Executive Board for final action.

Recommended Action

Staff requests Executive Board approval for the development of a comprehensive, orderly, inclusive process to assemble and document a regional economic development framework, which would include a set of regional strategies. The framework would be brought before the JPC, and ultimately back to the Executive Board.

Attachments

1. Regional Prosperity Plan Projects
2. Reforming CA Higher Education, Executive Summary, BACEI
3. Los Angeles Economic Development Corporation Policy Booklet

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